

## APPENDIX K

### CDBG BENEFIT TO LOW AND MODERATE INCOME (LMI) FOR PUBLIC FACILITY PROJECTS

To reflect Congress' intent that CDBG funds principally benefit low and moderate-income families, **CDBG Public Facilities Ranking Criterion number 6 (Benefit To Low And Moderate Income)** assigns points based on the percentage of CDBG funds that will assist low and moderate-income (LMI) persons.

Each applicant must demonstrate in its application that a minimum of 51 percent of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of persons of low and moderate income in the area; and provide assurance that any activities proposed will not benefit moderate-income persons in a manner that would exclude or discriminate against low-income persons.

Applicants proposing to use CDBG funds for area-wide activities (such as community-wide public facility activities) must provide data to demonstrate that at least 51 percent of the persons who would benefit from CDBG assistance to the project have low or moderate incomes.

Each applicant must provide:

- ~~ a completed copy of the Benefit to LMI Form that appears at the end of this exhibit (page K-5); and
- ~~ a narrative response that describes how the proposed project will principally benefit LMI persons.

The procedure for calculating the LMI benefits percentage is described in detail in the MDOC handbook Documenting Benefit to Low and Moderate Income Persons. The percentage of benefit to low and moderate income for a project is determined by:

dividing the total amount of non-administrative CDBG funds proposed to be used to principally benefit low and moderate-income households  
by  
the total amount of non-administrative CDBG funds requested by the applicant.

Compliance with the Benefit to LMI requirement is calculated on an activity-by-activity basis (page K-5). The following general guidelines can be used to determine which projects or activities will be considered as principally benefiting LMI households:

- ❑ The project has income eligibility requirements that limit the benefits of the activity to LMI persons, such as housing assistance which is provided only to LMI families or the payment of assessments levied against properties owned by LMI families as part of a public facilities project.
- ❑ The project serves an area, and principally benefits persons, where at least 51 percent of the residents are LMI and provides services for such LMI persons (such as a community sewer project).

- ❑ The project involves facilities designed for use predominately by LMI persons (e.g., transitional housing, homeless shelters).

**MDOC will evaluate how CDBG financial participation in a public facility project will actually benefit LMI residents.** For example, installing new water lines in a neighborhood that consists predominantly of LMI families would not be considered to be principally benefiting LMI if the practical result would be lower water rates community-wide. In such a case, the community's overall percentage of LMI would be used to score LMI benefit since all of the community's residents would share in the financial benefits from the CDBG assistance.

#### **IF A LOCAL INCOME SURVEY IS USED**

Applicants intending to conduct local surveys of household income must utilize the appropriate HUD income levels (published by HUD every February) established for their county and must follow the guidance presented in the current edition of the MDOC handbook *Documenting Benefit to Low and Moderate Income Persons*. A checklist is provided on the following page to assist applicants in complying with CDBG LMI requirements.

**The income survey methodology used must be described in the application and a copy of the survey form with a composite summary of all responses must be submitted with the CDBG application.** An applicant's failure to assure a statistically valid and sufficiently random sample for a local income survey will be considered sufficient grounds to discount claims made for percentage of benefit to LMI persons during the application review process.

**MDOC will not accept the results from a local income survey for ranking purposes unless the applicant adequately describes the survey methodology used and adequately documents that the methodology meets the CDBG requirements, including:**

1. use of correct LMI income levels;
2. use of an acceptable survey format;
3. meeting minimum sample size; and
4. survey sample was either truly random OR the total population was surveyed.

**Before conducting a local income survey, CDBG applicants should submit a draft of the survey form they intend to use to MDOC CDBG staff for their review to assure that the results of the survey will be acceptable for ranking purposes.**

All original income documentation must be retained by the applicant and must be available for review and verification if the application is selected for funding. The lack of adequate documentation to substantiate compliance with the LMI benefit requirement is considered sufficient grounds for the Department to withdraw a grant award.

The MDOC *Documenting Benefit to Low and Moderate Income Persons* includes a table that lists LMI percentages for all Montana counties, cities, and towns as calculated from 2000 census data by the U.S. Department of Housing and Urban Development (HUD). **In order to assure fairness and statistically valid claims for LMI benefit, CDBG**

**staff will closely review any local LMI survey results that vary more than 15 percent from the HUD LMI Data.**

However, for some applicants, there is no census data currently available for the specific project area, except to use census data for the entire county or city. Use of census data for the entire county or city may not accurately reflect the economic condition of households within the project area. Examples of applicants that are not likely to have census data currently available for the specific project area would be county water and sewer districts or a project that encompasses a particular neighborhood within a city.

**As a result, for projects that do not have census data currently available, CDBG will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area.** Upon request, CDBG staff will compute the MHI, LMI and Poverty statistics for the project area and determine the local government's target rate. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers that would help to locate the project area on the census maps.

In 1999, MDOC worked with cooperating county governments to define the boundaries of unincorporated communities throughout Montana, such as county water and sewer districts. Many of these new "census designated places" were included in the 2000 Census, which has resulted in census data already being available for these areas in the future. **Applicants should determine their funding needs based upon the most current income data and target rate, which will most likely still be the 2000 Census data.**

For further information on Census data, contact the MDOC Census and Economic Information Center at (telephone) 841-2740.

#### **CDBG BENEFIT LOW AND MODERATE INCOME (LMI) FORM -- PAGE K-5**

The form on page K-5 should be used by applicants to document compliance with the CDBG requirements for Benefit to Low and Moderate Income Persons.

The calculation of benefit to low and moderate income households or persons is a two-stage process. First, the percentage of benefit to low and moderate income households or persons must be calculated for each activity. Then these percentages must be applied to the CDBG funds requested for each activity to get the total number of dollars that will benefit low and moderate income households or persons. Each step in the calculation is described below.

Applicants should use the form on page K-5 to describe the total CDBG dollar and percentage benefit that will result from their proposed projects. Either households or persons may be used as the basis for calculation as long as the method selected is consistent with the method used to verify the household income levels.

1. In column A, describe the activity by name, such as "Reconstruct the Wastewater Treatment Facility" or "Final Engineering Design". Do not include administrative

activities. The activities should be the same as shown on the application budget form under "ACTIVITY."

2. In column B, show the total number of households that the activity will serve.
3. In column C, show the number of low and moderate-income households that the activity will serve.
4. In column D, show the percentage of low and moderate-income households that the activity will serve. This is derived by dividing the number in column C by the number in column B for that activity.
5. In column E, show the total amount of CDBG funds requested for the activity. This should be the same as shown on the application budget form under "ACTIVITY."
6. In column F, show the amount of those funds that will be used to benefit low and moderate income households. This is derived by multiplying column E by the percentage in column D.
7. At the bottom of column E, show the total amount of non-administrative CDBG funds by adding up the CDBG funds requested for each activity.
8. At the bottom of column F, show the total amount of funds that will be used to benefit low and moderate-income households by adding up the amount of funds to benefit low and moderate-income households for each activity.
9. Determine overall benefit by dividing the total of column F by the total of column E to get the total CDBG project benefit to low and moderate-income households. include percentage at bottom of form.